a world class African city

JOBURG
PROPERTY COMPANY

City of Joburg Property Company (SOC) Limited
(Registration number 2000/017147/07)
Financial statements
for the year ended 30 June 2017

The Auditor-General:Gauteng
These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Property Management & facilities management functions and, where approppriate, to provide property services in respect of the City of Johannesburg Metropolitan Municipality and the Municipal Owned Entities
DIRECTORS	Ms. HM Botes - Chief Executive Officer Mr. IM Bhamjee - Financial Director (CFO) Mr. P Corbin (Chairperson) Mr. N Baloyi Prof. A Karam Mr. O Kemp Mr. O Maseko Ms. M Mojapelo Mr. M Morojele Ms. N Mpofu Ms. M Hlobo
REGISTERED OFFICE	33 Hoofd Street Forum II Braampark Building Braamfontein 2000
BUSINESS ADDRESS	33 Hoofd Street Forum II Braampark Building Braamfontein 2000
POSTAL ADDRESS	P O Box 31565 Braamfontein 2017
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	Standard Bank
AUDITORS	The Auditor-General:Gauteng
SECRETARY	Mr C Matthews
COMPANY REGISTRATION NUMBER	2000/017147/07
TAX REFERENCE NUMBER	9292/129/14
PREPARER	The financial statements were internally compiled by: Imraan Bhamjee City of Joburg Property Company (SOC) Ltd

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The reports and statements set out below comprise the financial statements presented to the shareholder:

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ABBREVIATIONS

GCSS	CoJ: Group Corporate Shared Services
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
JPC	City of Joburg Property Company (SOC) Ltd
ME's	Municipal Entities
MFMA	Municipal Finance Management Act No 56 of 2003
SOFP	Statement of Financial Performance
PANEL OF ATTORNEYS	BM Kolosi, Bowman Gilfillian, C. Ngubane 7 Associates, Cheadle Thompson & Hayson, Dali Matlana, Denga Inc, DLA Cliff Dekker, Dlamini Attorneys, ENS Africa, Gildenhuis Malatji Inc, Hogan Lovells, Hugo Ngwenya, Ismail Dahya, KG Tserkezis, Kgokong Nameng Tumogale Inc, Koikanyang Inc, Kunene Ramaphala Inc, Lennon Moleele & Partners Inc, Madhlopa Inc, Madiba Motsia Masitenyane & Girithi Attorneys, Madlanga and Partners Inc, Mahlaola Inc, Makamela Attorneys, Malebye Motaung Mtembu, Matipane Tsebane Attorneys, Mchunu Attorneys, Mkhabela Huntley Adekeye Inc, Mncedisi Ndlovu and Sedumedi Attorneys, Mogaswa Attorneys, Mojela Hlazo, Molefi Dlepu Inc, Moloko Phooko Attorneys, Moodie and Robertson, Mothle Jooma & Sabdia Inc, Nandi Bulabula, Nchupetsang Attorneys, Ningiza Horner Inc, Norton Rose Fulbright, Nothemba George Attorneys, Padi Inc, Phambane Mokone Inc, Phungo Inc, Popela Maake, Poswa Inc, Prince Mudau and Associates, Rahman, Ramatshila Mugeri Attorneys, Salijee Du Plessis & Van der Merwe Attorneys, Selebogo Inc, Seleka Attorneys, TP Khoza Attorneys, Tshiqi Zebediela, Twala Attorneys, Wakaba and Partners, Webber Wentzel Bowmens, Werkmans and Whailey Van Der Lith Prinsloo Inc.

Board of Directors' Responsibilities and Approval

The Directors are required by the Municipal Finance Management Act (Act 56 of 2003) and Companies Act,71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Directors to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended. The External Auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or deficit.

The Directors have reviewed the company's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, they are satisfied that the company has or will have access to adequate resources to continue in operational existence for the foreseeable future. However, the financials are endorsed on the basis that a comfort letter on the going concern of the entity has been issued by the City of Johannesburg Metropolitan Municipality to provide adequate resources in sustaining the entity for the forthcoming year.

The financial statements are therefore prepared on the basis that the company is a going concern.

Although the Board of Directors are primarily responsible for the financial affairs of the company, they are supported by the company's internal auditors.

The External Auditors are responsible for independently reviewing and reporting on the company's financial statements.

The financial statements set out on pages 13 to 64, which have been prepared on the going concern basis, were approved by the Board of Directors on 30 November 2017 and were signed on its behalf by:

Ms H M Botes **Chief Executive Officer**	**Mr P Corbin** **Chairperson**

Audit and Risk Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit and Risk Committee members and attendance

The Audit and Risk Committee consists of the members listed below, who are required to meet a minimum of 4 times per annum as per its approved terms of reference. During the current financial year the committee of JPC met 7 times.

Name of member	Number of meetings attended
Non-Executive Directors	-
Mr L Mabuza - Chairperson (appointed - 16/03/2017)	7
Prof. A Karam - (appointed - 16/03/2017)	2
Ms. M Mojapelo - (appointed - 16/03/2017)	1
Adv M Mogale - (retired - 16/03/2017)	4
Mr M Rabodila - (retired - 16/03/2017)	4
-	-
Independent Members	-
Mr V Mokwena	6
Mr G Mufana	7
Mr Y Gordhan - (retired - 16/03/2017)	4

Audit and Risk Committee responsibility

The Audit and Risk Committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the company over financial and risk management are satisfactory. In line with the MFMA and the King Code on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are satisfactory. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported (besides the matters highlighted by the Auditor-General) that indicate any material deficiencies in the system of internal control or any deviations there from.

Quarterly Reporting

The Audit and Risk Committee is satisfied with the content and quality of quarterly reports prepared and issued by the management of the company during the year under review.

Evaluation of financial statements

The Audit and Risk Committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General recommendations;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes, if any, in accounting policies and practices;
- reviewed the entity compliance with legal and regulatory provisions; and
- reviewed significant adjustments resulting from the audit.

The Audit and Risk Committee concurs with and accept the Auditor-General of South Africa's report on the financial statements, and is of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Audit and Risk Committee Report

Risk Management

The Audit and Risk Committee ensures that the company has effective policies and plans for risk management. The committee also oversees the following:

- Development and annual review of risk management policies and plans
- Monitors implementation of risk management policies and plans
- Recommends to the Board on levels of risk tolerance and appetite
- Ensures risk management is integrated into business operations
- Ensures risk management assessments are conducted on a continuous basis
- Ensures frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks
- Ensures that management considers and implements appropriate risk responses

Finance Function

The Audit and Risk Committee has considered the expertise and experience of the Chief Financial Officer and is satisfied with the appointment of the Chief Financial Officer. The committee has reviewed and considered the experience and resources available to the company's finance function and is satisfied with the resources.

Internal Audit

In line with the MFMA, the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and the King Code on Corporate Governance, Internal Audit is required to provide the Audit and Risk Committee with quarterly internal audit reports in terms of its approved annual Internal Audit Plan.

Furthermore Internal Audit is required to provide reasonable assurance that the internal controls are adequate an effective, which is achieved by Internal Audit executing its risk -based internal audit plan. The risk based internal audit plan allows Internal Audit to assess the adequacy of controls in mitigating the risks of JPC and whether corrective action plans have been implemented. The Audit and Risk Committee reviewed the internal audit quarterly reports to ensure that internal audit activities were conductedin line with the approved risk based internal audit plan and were satisfied with the completion of the risk based internal audit plan by internal audit.

From our review of the report of the Internal Auditors we note that:
• The internal controls are adequate and effective; and
• The Internal Auditors are operating objectively and independently.

Auditor-General of South Africa

The Audit and Risk Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit and Risk Committee

Date: 28/11/2017

PRACTICE LOGO

Report of the Auditor General

To the Provincial Legislature of City of Joburg Property Company (SOC) Limited

The Auditor-General:Gauteng

30 November 2017

Board of Directors' Report

The Directors have pleasure in submiting to the Shareholders their report together with the annual financial statements for the year ended 30 June 2017.

1. INCORPORATION

The company was incorporated on 27 July 2000 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main business and operations

The company is a Municipal Entity. The principal activity of the company is the property & facilities management functions and, where appropriate, to provide property services in respect of the City of Johannesburg Metropolitan Municipality and its entities. The company operates only in South Africa.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

The deficit of the company before taxation was R 33 155 082 (2016: surplus R 8 466 572), after taxation it was a deficit of R (58 125 574) (2016: surplus R 5 570 984).

3. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds from the City of Johannesburg will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The financial position of the entity has been affected by a change in the operations and mandate of the entity to service the City of Johannesburg.

4. SUBSEQUENT EVENTS

The Directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report in respect of matters which would require adjustments to or disclosure in the annual financial statements.

5. DIRECTORS' PERSONAL FINANCIAL INTEREST

Directors' personal financial interest in any contracts have been disclosed and no Directors, both executive and non-executive, have any interest in contracts with the company.

6. SHARE CAPITAL

There were no changes in the authorised or issued share capital of the company during the year under review.

7. BORROWING LIMITATIONS

In terms of the sale of business agreement, the City of Joburg Property Company (SOC) Limited does not have the authority to borrow funds on its own behalf. All external funding is managed under the auspices of the City of Johannesburg Metropolitan Municipality.

8. NON-CURRENT ASSETS

There were no changes in the nature of non-current assets of the company during the year.

9. DIVIDENDS

No dividends were declared or paid to the shareholder during the year.

Board of Directors' Report

10. DIRECTORS

The directors of the company during the year ended to 30 June 2017 were as follows:

Name	Nationality	Changes in appointment
Ms HM Botes - Chief Executive Officer	South African	
Mr P Corbin - Chairperson	South African	Appointed - 16/03/2017
Mr A Mabizela	South African	Retired - 16/03/2017
Mr IM Bhamjee - Financial Director	South African	
Prof AN Nevhutanda	South African	Retired - 16/03/2017
Mr FD Ntombela	South African	Retired - 16/03/2017
Mr C Kai	South African	Retired - 16/03/2017
Mr MJ Rabodila	South African	Retired - 16/03/2017
Mr MM Morojele	South African	
Adv M Mogale	South African	Retired - 16/03/2017
Ms M Mojapelo	South African	
Mr L Mabuza	South African	Retired - 16/03/2017
Mr N Baloyi	South African	Appointed - 16/03/2017
Prof A Karam	South African	Appointed - 16/03/2017
Mr O Kemp	South African	Appointed - 16/03/2017
Mr O Maseko	South African	Appointed - 16/03/2017
Ms N Mpofu	South African	Appointed - 16/03/0217
Ms. M Hlobo	South African	Appointed - 27/05/2017

11. SECRETARY

Mr. Craig Matthews is the company secretary.

Business address	
	33 Hoofd Street Forum II Braampark Building Braamfontein 2000
Postal address	
	P O Box 31565 Braamfontein 2017

12. CORPORATE GOVERNANCE

12.1 General

The Board of Directors are committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Board of Directors supports the highest standards of corporate governance and the ongoing development of best practice.

The City of Joburg Property Company confirms and acknowledges its responsibility to comply with the Code of Governance Principles ("the Code") as laid out in the King III Report on Corporate Governance for South Africa 2010. The Board of Directors discuss the responsibilities of management in this respect, at Board meetings and monitor the company's compliance with the code on a yearly basis.

12.2 Board of Directors

The Board:
- retains full control over the company, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the company;

Board of Directors' Report

- is of a unitary structure comprising:
  - 9 non-executive directors, all of whom are independent directors as defined in the Code; and
  - 2 executive directors.

Chairperson and chief executive

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of the Chairperson and the Managing Director are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

12.4 Remuneration Committee

The Remunerations and Human Resources Committee comprises four (4) members, namely: Ms M Mojapelo (Chairperson), Mr O Kemp, Mr O Maseko and Mr M Morojele. Up to 16 March 2017, the Remunerations & Human Resources Committee comprised of four (4) members, namely: Ms M Mojapelo (Chairperson), Pastor C Kai, Mr. F Ntombela and Prof A Nevhutanda. Except for Ms. Mojapelo whom was re-appointed to the Board, the other members retired on 16 March 2017. The Remuneration and Human Resources Committee advises the Board on the remuneration policies, remuneration packages and other terms of employment for senior managers. Its specific terms of reference also include recommendations to the Board on matters relating inter alia, human resources policies, executive remuneration and other human resource affairs of the company.

12.5 Board of Directors' meetings

The Board of Directors is required to meet a minimum of 4 times per annum. During the current financial year the Board of Directors of JPC met on 12 separate occasions. Additional meetings were required to address operational challenges with the company secretary, review the corporate strategy with management and for attendance at the entity's risk workshop.

Non-executive directors have access to all members of management of the company.

Name	Board Meeting	Audit and Risk committee	Transformation committee	Transaction Committee	Remuneration and HR Committee	Social and Ethics Committee
Mr P Corbin (Chairperson)	6			2		
Mr MM Morojele	9		1	2		1
Ms M Mojapelo	12	1			4	
Mr L Mabuza	9	7	3	2		
Prof A Karam	2	2		2		
Mr O Maseko	6					1
Mr N Baloyi	6			2	1	1
Mr O Kemp	5			2	1	
Ms N Mpofu	3					
Ms M Hlobo	4					
Mr A Mabizela (retired - 16/03/2017)	7					
Prof AN Nevhutanda (retired - 16/03/2017)	1			2	2	1
Mr MJ Rabodila (retired - 16/03/2017)	5	4	3	2		
Mr FD Ntombela (retired - 16/03/2017)	6		3		3	2
Adv M Mogale (retired - 16/03/2017)	8	4		1		
Mr C Kai (retired - 16/03/2017)	8		3		3	2
Total number of meetings held	12	7	3	4	4	4

12.6 Audit and Risk Committee

Currently, the Audit and Risk Committee comprises of three (3) non-executive directors, namely: Mr L Mabuza (Chairperson), Ms M Mojapelo and Prof. A Karam.

In terms of Section 166 of the Municipal Finance Management Act, City of Johannesburg, as a parent municipality, must appoint members of the Audit and Risk Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' Audit and Risk Committees, National Treasury policy requires that parent municipalities should appoint further members of the municipal entity's Audit and Risk Committees who are not directors of the municipal entity onto the Audit and Risk Committee and these independent members are Mr V Mokwena and Mr G Mufana. The Audit and Risk Committee has fulfilled its responsibilities as provided for in Section 166 of the Municipal Finance Management Act.

12.7 Social & Ethics and Transformation commitee

The Social and Ethics Committee comprises five (5) members, namely: Mr O Maseko (Chairperson), Mr P Corbin, Mr N Baloyi, Ms M Hlobo and Mr M Morojele. The Board approved the merger of the Social & Ethics and Transformation Committees at its induction session held on 11 April 2017. The Committee became formally known as the Social & Ethics and Transformation Committee. For the year under the review and before the merger, up to 16 March 2017, the Social and Ethics Committee comprised of three (3) members, namely: Past C Kai (Chairperson), Mr. F Ntombela and Prof. A Nevhutanda. These members all retired as Board members on 16 March 2017. The function of the Committee is to monitor the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice. It looks into the Company's social and economic development, including the organisation's standing in terms of the goals and purposes; good corporate citizenship; the environment; health and public safety; consumer relationships including the Company's advertising, public relations and compliance with consumer protection laws; and labour and employment.

12.8 Transformation Committee

For the year under the review and before the merger of the Social & Ethics and Transformation Committees, up to 16 March 2017, the Transformation Committee comprised of five (5) members, namely: Mr. F Ntombela (Chairperson), Mr. L Mabuza, Mr. M Rabodila, Past C Kai and Mr. M Morojele. These members all retired as Board members on 16 March 2017. The commitee was mandated to develop the Transformation Policy, oversee and ensure the alignment of Transformation strategy and plans proposed by the JPC corporate strategy, monitor the development and implementation of transformation strategies and define how JPC will transform the property industry.

12.9 Transactions and Service Delivery Committee

The Transaction Committee comprises six (6) members, namely: Mr O Kemp (Chairperson), Mr N Baloyi, Ms N Mpofu, Prof A Karam, Mr M Morojele and Mr P Corbin. Up to 16 March 2017, the Transactions & Service Delivery Committee comprised of five (5) members, namely: Prof. A Nevhutanda (Chairperson), Mr. L Mabuza, Mr. M Rabodila, Mr. M Morojele and Ms. M Mogale. The primary objective of the committee is to assist the Board in discharging its responsibility by considering all reports relating to property transactions. The committee also ensures that revenue generation targets are achieved in relation to the property portfolio and to make the necessary recommendations to the Board or COJ to ensure that service delivery is enhanced and property related transactions are concluded efficiently within the legal framework that JPC and the COJ operates in.

12.10 Internal Audit

The company's internal audit function is performed by Nexia SAB&T. The appointment is made in compliance with section 165 of the Municipal Finance Management Act No.56 of 2003.

13. CONTROLLING ENTITY

The company's controlling entity is the City of Johannesburg Metropolitan Municipality incorporated in South Africa.

14. AUDITORS

The Auditor General: Gauteng will continue in office in accordance with the Public Audit Act No 25 of 2005, section 92 of the Municipal Finance Management Act No 56 of 2003.

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of section 88(2)(e) of the Companies Act 71 of 2008, and the Municipal Finance Management Act, Act 56 of 2003. I, Craig Matthews, certify that, to the best of my knowedge and belief, the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

Mr C Matthews
Company Secretary

City of Joburg Property Company (SOC) Ltd

City of Joburg Property Company (SOC) Limited
(Registration number 2000/017147/07)
Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016
Assets			
Current Assets			
Loans to shareholders	3	-	77 880 864
Current tax receivable	5	11 734 027	11 177 915
Receivables from exchange transactions	6	602 932 186	66 520 590
Receivables from non-exchange transactions	7	43 493	53 752
Prepayments	8	341 869	374 399
Cash and cash equivalents	9	2 000	2 000
		615 053 575	**156 009 520**
Non-Current Assets			
Property, plant and equipment	12	24 661 106	22 058 156
Intangible assets	13	14 437 327	12 969 804
Deferred tax	14	11 843 854	36 018 831
Prepayments	8	606 310	779 729
Deposits	10	155 210	148 637
		51 703 807	**71 975 157**
Total Assets		**666 757 382**	**227 984 677**
Liabilities			
Current Liabilities			
Loans from shareholders	3	302 091 805	73 672 114
Finance lease obligation	15	3 811 911	3 036 553
Operating lease liability	4	777 795	3 750 483
Payables from exchange transactions	16	356 517 840	89 219 298
Provisions	18	2 878 696	2 248 008
		666 078 047	**171 926 456**
Non-Current Liabilities			
Finance lease obligation	15	3 181 419	1 407 334
Employee benefit obligation	11	846 863	669 775
Deferred tax	14	3 615 130	2 819 615
		7 643 412	**4 896 724**
Total Liabilities		**673 721 459**	**176 823 180**
Net Assets		**(6 964 077)**	**51 161 497**
Share Capital	19	5 142 721	5 142 721
Accumulated Surplus/(Deficit)		(12 106 798)	46 018 776
Total Net Assets		**(6 964 077)**	**51 161 497**

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016
Revenue	20	429 261 692	443 410 869
Other income	21	-	900 600
Operating expenses		(471 468 045)	(436 446 210)
Operating (deficit) surplus		**(42 206 353)**	**7 865 259**
Investment revenue	22	15 440 822	3 460 166
Finance costs	23	(6 389 551)	(2 858 853)
(Deficit) surplus before taxation		**(33 155 082)**	**8 466 572**
Taxation	27	(24 970 492)	(2 895 588)
(Deficit) surplus for the year		**(58 125 574)**	**5 570 984**

City of Joburg Property Company (SOC) Limited

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Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Share premium	Total share capital	Accumulated Surplus	Total equity
Opening balance as previously reported		1 000	5 141 721	5 142 721	43 677 384	48 820 105
Adjustments						
Prior year adjustments		-	-	-	(3 229 592)	(3 229 592)
Balance at 01 July 2015 as restated		**1 000**	**5 141 721**	**5 142 721**	**40 447 792**	**45 590 513**
Changes in net assets						
Surplus for the year		-	-	-	5 570 984	5 570 984
Total changes		-	-	-	5 570 984	5 570 984
Balance at 01 July 2016		**1 000**	**5 141 721**	**5 142 721**	**46 018 776**	**51 161 497**
Changes in net assets						
Deficit for the year		-	-	-	(58 125 574)	(58 125 574)
Total changes		-	-	-	(58 125 574)	(58 125 574)
Balance at 30 June 2017		**1 000**	**5 141 721**	**5 142 721**	**(12 106 798)**	**(6 964 077)**
Note(s)		19	19	19		

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016
Cash flows from operating activities			
Receipts			
Rendering of services		(420 845 616)	273 457 295
Subsidies		327 568 000	340 630 000
Interest income		1 605 368	3 460 166
		(91 672 248)	617 547 461
Payments			
Employee costs		(245 304 053)	(219 895 214)
Suppliers		46 697 150	(159 058 680)
Finance costs		(6 389 551)	(2 216 109)
		(204 996 454)	(381 170 003)
Net cash flows from operating activities	29	**(296 668 702)**	**236 377 458**
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(3 550 992)	(3 971 336)
Purchase of other intangible assets	13	(446 556)	(22 755)
Payment for deposits		(6 573)	(19 189)
Net cash flows from investing activities		**(4 004 121)**	**(4 013 280)**
Cash flows from financing activities			
Net movement of shareholders loan		305 358 390	(227 276 169)
Finance lease payments		(4 685 567)	(5 088 009)
Net cash flows from financing activities		**300 672 823**	**(232 364 178)**
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		2 000	2 000
Cash and cash equivalents at the end of the year	9	**2 000**	**2 000**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
REVENUE						
REVENUE FROM EXCHANGE TRANSACTIONS						
Cellmast services	10 657 743	-	**10 657 743**	6 819 291	**(3 838 452)**	Appendix E (1)
Commissions received	86 502 774	-	**86 502 774**	54 428 572	**(32 074 202)**	Appendix E (1)
Debtors discounting	-	-	-	(19 166 060)	**(19 166 060)**	Appendix E (1)
Management fees	60 519 226	-	**60 519 226**	57 309 808	**(3 209 418)**	Appendix E (1)
Internal recoveries	-	-	-	209 068 684	**209 068 684**	Appendix E (1)
Cost of services	-	-	-	(209 068 684)	**(209 068 684)**	Appendix E (1)
Third party development fees	7 500 000	-	**7 500 000**	302 081	**(7 197 919)**	Appendix E (1)
Interest received	2 687 257	-	**2 687 257**	15 440 822	**12 753 565**	Appendix E (1)
Total revenue from exchange transactions	**167 867 000**	**-**	**167 867 000**	**115 134 514**	**(52 732 486)**	
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
TRANSFER REVENUE						
Government grants & subsidies	327 295 000	273 000	**327 568 000**	327 568 000	-	Appendix E (1)
EPWP grant	2 000 000	-	**2 000 000**	2 000 000	-	Appendix E (1)
Total revenue from non-exchange transactions	**329 295 000**	**273 000**	**329 568 000**	**329 568 000**	**-**	
Total revenue	**497 162 000**	**273 000**	**497 435 000**	**444 702 514**	**(52 732 486)**	
EXPENDITURE						
Personnel	(245 050 617)	(273 000)	**(245 323 617)**	(245 126 965)	**196 652**	Appendix E (1)
Depreciation and amortisation	(6 645 998)	-	**(6 645 998)**	(6 536 094)	**109 904**	Appendix E (1)
Finance costs	(2 430 000)	-	**(2 430 000)**	(6 389 551)	**(3 959 551)**	Appendix E (1)
Lease rentals on operating lease	(99 434 201)	-	**(99 434 201)**	(98 452 825)	**981 376**	Appendix E (1)
Repairs and maintenance	(42 388 000)	-	**(42 388 000)**	(26 463 755)	**15 924 245**	Appendix E (1)
General Expenses	(101 213 184)	-	**(101 213 184)**	(94 433 362)	**6 779 822**	Appendix E (1)
Total expenditure	**(497 162 000)**	**(273 000)**	**(497 435 000)**	**(477 402 552)**	**20 032 448**	
Operating deficit	-	-	-	**(32 700 038)**	**(32 700 038)**	
Loss on disposal of assets and liabilities	-	-	-	(455 044)	**(455 044)**	Appendix E (1)
Deficit before taxation	-	-	-	**(33 155 082)**	**(33 155 082)**	
Taxation	-	-	-	24 970 492	**24 970 492**	Appendix E (1)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	**(58 125 574)**	**(58 125 574)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Investment revenue	2 687 257	-	2 687 257	-		2 687 257	15 440 822		12 753 565	575 %	575 %
Transfers recognised - operational	327 568 000	-	327 568 000	-		327 568 000	327 568 000		-	100 %	100 %
Other own revenue	167 179 743	-	167 179 743	-		167 179 743	101 693 692		(65 486 051)	61 %	61 %
Total revenue (excluding capital transfers and contributions)	**497 435 000**	**-**	**497 435 000**	**-**		**497 435 000**	**444 702 514**		**(52 732 486)**	**89 %**	**89 %**
Employee costs	(245 323 617)	-	(245 323 617)	-	-	(245 323 617)	(245 126 965)	-	196 652	100 %	100 %
Depreciation and asset impairment	(6 645 998)	-	(6 645 998)			(6 645 998)	(6 536 094)	-	109 904	98 %	98 %
Finance charges	(2 430 000)	-	(2 430 000)	-	-	(2 430 000)	(6 389 551)	-	(3 959 551)	263 %	263 %
Other expenditure	(243 035 385)	-	(243 035 385)	-	-	(243 035 385)	(219 804 986)	-	23 230 399	90 %	90 %
Total expenditure	**(497 435 000)**	**-**	**(497 435 000)**	**-**	**-**	**(497 435 000)**	**(477 857 596)**	**-**	**19 577 404**	**96 %**	**96 %**
Surplus	-	-	-	-		-	**(33 155 082)**		**(33 155 082)**	**DIV/0 %**	**DIV/0 %**
Taxation	-	-	-	-		-	24 970 492		24 970 492	DIV/0 %	DIV/0 %
Deficit for the year	-	-	-	-		-	**(58 125 574)**		**(58 125 574)**	**DIV/0 %**	**DIV/0 %**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accouting Policies, Changes in Accounting Estimates and Errors
GRAP 13 Leases
GRAP 14 Events after the reporting date
GRAP 17 Property, Plant and Equipment
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 102 Intangible Assets
GRAP 104 Financial Instruments

The accounting policies are consistent with the previous period.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at managements best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Expected manner of realisation for deferred tax

Deferred tax is provided for based on the expected manner of recovery i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax liability. Refer note 16 – Deferred tax .

Taxation

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the statement of financial position date could be impacted.

Post retirement benefits

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 11.

Effective interest rate

The company used the City of Johannesburg Metropolitan Municipality average borrowing rate as a point of departure and a basis of discounting financial instruments.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	25 years
Plant and machinery	Straight line	10 years
Furniture and fixtures	Straight line	16 years
Office equipment	Straight line	8 years
IT equipment	Straight line	7 years
Leasehold improvements	Straight line	Term of lease
Leased equipment	Straight line	Term of lease

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Accounting Policies

1.3 Property, plant and equipment (continued)

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.4 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

1.4 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, internally generated	Indefinite
Computer software	7 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised.

The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

The amortisation period and the amortisation method for an intangible asset with a finite useful life shall be reviewed at least at each reporting date. If the expected useful life of the asset is different from previous estimates, the amortisation period shall be changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the amortisation method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

1.5 Financial instruments

Initial recognition and measurement

Accounting Policies

1.5 Financial instruments (continued)

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Loans to (from) Group Companies

These include loans to and from controlling entities, fellow controlled entities, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised. Loans to group companies are classified as loans and receivables.

Loans to shareholders

These financial assets are initially measured at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in profit or loss when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Loans to group company (City of Johannesburg Metropolitan Municipality) are classified as loans and receivables.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Amounts that are receivable within 12 months from the reporting date are classified as current.

Payables from exchange transactions

1.5 Financial instruments (continued)

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.6 Current and Deferred Tax

Current tax assets and liabilities

The tax currently payable is based on taxable income for the year. Taxable income differs from surplus as reported in the statement of financial performance, because it includes income and expenses that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible.

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities / (assets) for the current and prior periods are measured at the amount expected to be paid to / (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

1.6 Current and Deferred Tax (continued)

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Finance charges are charged to surplus or deficit, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy of borrowing costs.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Payments made in entering into or acquiring leasehold that is accounted for as an operating lease are amortised over the lease term.

Accounting Policies

1.8 Impairment of assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

Reversal of impairment loss

The entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

1.9 Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as and when they fall due.

The company has no further payment obligations once the contributions have been paid.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested..

Actuarial surpluses or (deficits) within the financial year are recognised in the surplus or (deficit).

Surpluses or (deficits) on the curtailment or settlement of a defined benefit plan is recognised when the company is demonstrably committed to curtailment or settlement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

Other post retirement obligations

The company provides post-retirement health care benefits to some employees.The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Valuations of these obligations are carried out by independent qualified actuaries.

1.11 Provisions and contingencies

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Accounting Policies

1.11 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the company settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

1.13 Revenue from exchange transactions

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the statement of financial position date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue for the entity, comprises of commission and third party development fees.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

1.14 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving appromixately equal value in exchange. Revenue from non-exchange transactiond is generally recognised to the extent that the related receipt or receivable qualifies for a recognition as an asset and there is no liabilty to repay the amount.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.15 Cost of services rendered

The related cost of providing services recognised as revenue is the total cost of delivering the service. The cost of service information is found in the statement of financial performance and represent the direct costs associated with services the entity provides.

1.15 Cost of services rendered (continued)

These costs comprise:
- costs incurred that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be directly allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

The entity discloses other transactions that do not generate revenue but are incidental to the main revenue-generating activities. The presentation reflects the substance of the transaction or other event, by netting revenue with the related expenses arising on the same transaction.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as predictable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is predictable, and the prior year comparatives are restated accordingly.

1.18 Fruitless and wasteful expenditure

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.20 Deferred Income

Revenue received in advance is recognised as income to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.21 Budget information

Budget information is prepared in conformity with the accounting policies for preparing and presenting the financial statements.

1.22 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, all entities within the national sphere of government are considered to be related parties.

Notes to the Financial Statements

Figures in Rand	2017	2016

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 17 (as amended 2015): Property, Plant and Equipment

Based on the feedback received as part of the post-implementation review, the Board agreed to reconsider certain principles in GRAP 16 and GRAP 17. In particular, the Board agreed to:
- Review the principles and explanations related to the distinction between investment property and property, plant and equipment.
- Consider whether an indicator-based assessment of useful lives of assets could be introduced.
- Clarify the wording related to the use of external valuers.
- Introduce more specific presentation and disclosure requirements for capital work-in-progress.
- Review the encouraged disclosures and assess whether any should be made mandatory or deleted.
- Require separate presentation of expenditure incurred on repairs and maintenance in the financial statements.

Amendments identified as part of the post-implementation review, affected the following areas:
- Indicator-based assessment of the useful lives of assets
- Use of external valuers
- Encouraged disclosures
- Capital work-in-progress
- Expenditure incurred on repairs and maintenance

The effective date of the standard is for years beginning on or after 01 April 2016.

The entity has adopted the standard for the first time in the 2017 financial statements.

The adoption of this standard has not had a material impact on the results of the entity, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

Notes to the Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The entity has early adopted the standard for the first time when the Minister sets the effective date for the standard.

The impact of the standard is set out in note Changes in Accounting Policy.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2017 or later periods but are not relevant to its operations:

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the standard is for years beginning on or after 01 April 2018.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

Notes to the Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

It is unlikely that the standard will have a material impact on the entity's financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's financial statements.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

GRAP 108: Statutory Receivables

Notes to the Financial Statements

2. NEW STANDARDS AND INTERPRETATIONS (continued)

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The entity does not envisage the adoption of the standard until such time as it becomes applicable to the entity's operations.

It is unlikely that the standard will have a material impact on the entity's financial statements.

Notes to the Financial Statements

Figures in Rand	2017	2016

3. LOANS TO/(FROM) SHAREHOLDERS

City of Johannesburg Metropolitan Municipality - Group Finance Loan payable to Group Corporate Shared Services for administration of the Facilities Management payroll from March 2016. The loan bears no interest.	(31 416 277)	(19 035 735)
City of Johannesburg Metropolitan Municipality - Unsecured (Portfolio) The City of Johannesburg Metropolitan Municipality Portfolio Loan Account includes commissions accrued. The loan does not bear any interest and is repayable within 12 months.	(69 211 266)	-
City of Johannesburg Metropolitan Municipality - Treasury The Sweeping Account bears interest at an average call rate of 6.01% p.a irrespective of the balance being favourable or not.	(166 863 045)	77 880 864
City of Johannesburg - Group Corporate Shared Services Loan payable to Group Corporate Shared Services for administration of the Facilities Management payroll from March 2013 to February 2016. The loan bears no interest.	(34 601 217)	(54 636 379)
	(302 091 805)	**4 208 750**

Current assets	-	77 880 864
Current liabilities	(302 091 805)	(73 672 114)
	(302 091 805)	**4 208 750**

4. OPERATING LEASE LIABILITY

Current liabilities	(777 795)	(3 750 483)

The operating lease liability was as a result of an office rental agreement for head office and corporate building accommodation. (Refer to note 32)

5. TAX REFUNDED

Balance at beginning of the year	11 177 915	10 728 931
Interest received	556 112	448 984
	11 734 027	**11 177 915**

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS

External trade debtors	3 464 408	4 367 254
Debtors discounting	(5 336 561)	-
Related party debtors (Note 31)	604 804 339	62 153 336
	602 932 186	**66 520 590**

7. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Staff Debtors	43 493	53 752
SARS VAT Debtor	-	2 421 858
Provision for bad debt	-	(2 421 858)
	43 493	**53 752**

Notes to the Financial Statements

Figures in Rand	2017	2016

8. PREPAYMENTS

Current	341 869	374 399
Non-Current	606 310	779 729
	948 179	**1 154 128**

Current Assets

Prepayments of software licenses to be amortised over the 2016/17 financial year.

Non-current Assets

The long term portion of the prepayment received from Bayete Consulting for professional services. The expense is to be amortised over the course of the lease agreement signed by JPC for the Hoofd Street head office.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	2 000	2 000

The company's cheque account is swept on a daily basis in terms of an agreement with The City of Johannesburg Metropolitan Municipality (COJ) in order to facilitate better cashflow management on an entity wide basis. Cash is readily available at all times and the sweeping has no effect on its availability.

10. DEPOSITS

Deposits held by municipal debtors for informal trading facilities.

Eskom - Baragwanath	135 403	129 448
Eskom - Lenasia	19 807	19 189
	155 210	**148 637**

Notes to the Financial Statements

Figures in Rand	2017	2016

11. EMPLOYEE BENEFIT OBLIGATIONS

Defined benefit plan

Post retirement medical aid plan

Actuarial valuations are done at an interval of not more than three years using the projected unit credit method,

The amounts recognised in the statement of financial position are as follows:

	2017	2016
Carrying value		
Present value of the defined benefit obligation	(669 775)	(1 223 546)
Net expense recognised in the statement of financial performance	(177 088)	553 771
	(846 863)	**(669 775)**

The comparative of the net present value of the defined benefit obligation is as follows:

	2016/17	2015/16	2014/15	2013/14
Present value of the defined benefit obligation	(669 775)	(1 223 546)	(996 000)	(879 000)
Net expense recognised in the SoFP	(177 088)	553 771	(227 546)	(117 000)
	(846 863)	**(669 775)**	**(1 223 546)**	**(996 000)**

Net expense recognised in the statement of financial performance

	2017	2016
Current service cost	15 420	(11 508)
Interest cost	(60 280)	(103 904)
Actuarial (gains)/losses	(132 228)	669 183
	(177 088)	**553 771**

11. EMPLOYEE BENEFIT OBLIGATIONS (continued)

Key assumptions used

Assumptions used at the reporting date:

	2017	2016
Discount rates used	9.16 %	9.00 %
Medical cost trend rates	7.44 %	8.15 %
Maximum subsidy inflation rate	5.21 %	5.74 %
Net discount rate - Health care cost inflation	1.59 %	0.78 %
Net discount rate - Maximum subsidy inflation	3.75 %	3.08 %
Expected increases in salary costs	5.94 %	6.70 %

The calculations for post-retirement medical aid were based on the policy adopted by the City of Johannesburg Metropolitan Municipality with regard to post-reitrement medical aid subsidies.

Employees over the age of 55 on 1 July 2003 will get a 60% subsidy on retirement. Employees over the age of 50 but under age of 55 will get a 50% subsidy on retirement. Employees under the age of 50 on 1 July 2003 will not receive any post-retirement medical aid subsidy.

The valuation method and assumptions do not affect the ultimate cost of the long-term benefits – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time.

The projections assume that the entity's benefit and subsidy policies will remain consistent, and that all the actuarial assumptions made are borne out in practice.

In addition, it is assumed that no contributions are made by the entity towards prefunding its liability via an off-balance sheet vehicle.

Benefits paid refer to the Municipality's subsidy of current continuation members or beneficiaries.

There are no past service costs, curtailments or settlements to reflect.

Notes to the Financial Statements

Figures in Rand	2017	2016

12. PROPERTY, PLANT AND EQUIPMENT

	2017			2016		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	487 200	-	487 200	487 200	-	487 200
Buildings	6 350 957	(5 030 453)	1 320 504	6 350 957	(4 776 415)	1 574 542
Plant and machinery	1 574 975	(609 105)	965 870	1 680 374	(545 940)	1 134 434
Furniture and fixtures	5 492 589	(1 610 705)	3 881 884	4 965 414	(1 312 442)	3 652 972
Office equipment	2 271 086	(686 448)	1 584 638	2 004 754	(450 937)	1 553 817
IT equipment	7 981 766	(2 661 287)	5 320 479	7 122 099	(1 838 978)	5 283 121
Leasehold improvements	2 140 751	(512 694)	1 628 057	965 290	(409 444)	555 846
Capitalised leased office equipment	20 780 842	(11 308 368)	9 472 474	15 066 723	(7 250 499)	7 816 224
Total	**47 080 166**	**(22 419 060)**	**24 661 106**	**38 642 811**	**(16 584 655)**	**22 058 156**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Land	487 200	-	-	-	487 200
Buildings	1 574 542	-	-	(254 038)	1 320 504
Plant and machinery	1 134 434	65 100	(70 162)	(163 502)	965 870
Furniture and fixtures	3 652 972	598 731	(55 954)	(313 865)	3 881 884
Office equipment	1 553 817	303 619	(19 422)	(253 376)	1 584 638
IT equipment	5 283 121	1 408 081	(232 982)	(1 137 741)	5 320 479
Leasehold improvements	555 846	1 175 461	-	(103 250)	1 628 057
Capitalised leased office equipment	7 816 224	5 808 172	(76 524)	(4 075 398)	9 472 474
	22 058 156	**9 359 164**	**(455 044)**	**(6 301 170)**	**24 661 106**

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Land	487 200	-	-	-	487 200
Buildings	1 829 276	-	-	(254 734)	1 574 542
Plant and machinery	1 325 144	16 690	(36 395)	(171 005)	1 134 434
Furniture and fixtures	3 982 775	600	(18 258)	(312 145)	3 652 972
Office equipment	690 695	1 040 336	(19 798)	(157 416)	1 553 817
IT equipment	2 160 303	3 814 310	(91 547)	(599 945)	5 283 121
Leasehold improvements	652 638	-	-	(96 792)	555 846
Capitalised leased office equipment	7 058 711	3 852 283	(53 621)	(3 041 149)	7 816 224
	18 186 742	**8 724 219**	**(219 619)**	**(4 633 186)**	**22 058 156**

Notes to the Financial Statements

Figures in Rand	2017	2016

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The following leased assets are included in Property, Plant and Equipment listed above

	2017			2016		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Leasehold improvements	2 140 751	(512 695)	1 628 056	965 290	(409 444)	555 846
Leased office equipment	20 780 842	(11 308 368)	9 472 474	15 066 723	(7 250 499)	7 816 224
Total	**22 921 593**	**(11 821 063)**	**11 100 530**	**16 032 013**	**(7 659 943)**	**8 372 070**

Details of properties

Erf 737 and Erf 1304, 18 Bedford Road, Yeoville

	2017	2016
Land		
- Cost	487 200	487 200

Erf 737 and Erf 1304, 18 Bedford Road, Yeoville

	2017	2016
Buildings		
- Cost	6 350 957	6 350 957
- Accumulated depreciation	(5 030 453)	(4 776 415)
	1 320 504	**1 574 542**

13. INTANGIBLE ASSETS

	2017			2016		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	12 761 889	-	12 761 889	12 761 889	-	12 761 889
Computer software	2 026 986	(351 548)	1 675 438	318 841	(110 926)	207 915
Total	**14 788 875**	**(351 548)**	**14 437 327**	**13 080 730**	**(110 926)**	**12 969 804**

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	12 761 889	-	-	12 761 889
Computer software	207 915	1 702 447	(234 924)	1 675 438
	12 969 804	**1 702 447**	**(234 924)**	**14 437 327**

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	12 761 889	-	-	12 761 889
Computer software	226 267	22 755	(41 107)	207 915
	12 988 156	**22 755**	**(41 107)**	**12 969 804**

Notes to the Financial Statements

Figures in Rand	2017	2016

13. INTANGIBLE ASSETS (continued)

2016/17: No impairment is required for intangible assets.

14. DEFERRED TAX

Deferred tax liability

	2017	2016
Prepaid Expenses	(18 901)	(18 901)
Property, Plant, Equipment and Intangibles	(943 936)	(619 131)
Finance Lease Fixed Assets	(2 652 293)	(2 181 583)
Total deferred tax liability	**(3 615 130)**	**(2 819 615)**

Deferred tax asset

	2017	2016
Provision for Post Retirement Medical Aid	237 122	187 537
Provision for Leave Pay	4 497 045	4 264 790
Provision for Bonuses	3 439 535	3 093 504
Debtors Discounting	1 494 237	-
Straightlining of Operating Leases	217 783	1 050 135
Finance Lease Liability	1 958 132	1 237 329
Losses	-	26 185 536
Total deferred tax asset	**11 843 854**	**36 018 831**

	2017	2016
Deferred tax liability	(3 615 130)	(2 819 615)
Deferred tax asset	11 843 854	36 018 831
Total net deferred tax asset	**8 228 724**	**33 199 216**

Reconciliation of deferred tax asset

	2017	2016
At beginning of year	33 199 216	36 094 804
Increases (decrease) in tax loss available for set off against future taxable income	(24 970 492)	(2 895 588)
	8 228 724	**33 199 216**

It is unlikely that there will be profits in the foreseeable future, against which losses incurred in the previous financial years can be offset. Therefore, the deferred tax asset on losses cannot be recognised for future financial years.

Notes to the Financial Statements

Figures in Rand	2017	2016

15. FINANCE LEASE OBLIGATION

	2017	2016
Minimum lease payments due		
- Not later than one year	4 177 668	3 284 404
- Later than one year and not later than 5 years	3 319 495	1 480 800
	7 497 163	4 765 204
Less: Future finance charges	(503 833)	(321 317)
Present value of minimum lease payments	**6 993 330**	**4 443 887**
Present value of minimum lease payments due		
- Not later than one year	3 811 911	3 036 553
- Later than one year and not later than 5 years	3 181 419	1 407 334
	6 993 330	**4 443 887**
Non-current liabilities	3 181 419	1 407 334
Current liabilities	3 811 911	3 036 553
	6 993 330	**4 443 887**

It is company policy to lease certain equipment under finance leases; These assets are leased over a period of 2 to 5 years at a fixed negotiated rate, and are secured by the assets financed (refer to Note 12).

16. PAYABLES FROM EXCHANGE TRANSACTIONS

	2017	2016
Trade and other payables	11 506 767	2 962 878
Related parties	160 547	-
Accrued leave pay	16 060 875	15 231 390
Accrued 13th Cheques	9 405 358	8 800 220
Accruals	319 384 293	62 224 810
	356 517 840	**89 219 298**

17. DEFERRED INCOME

Movement during the year

	2017	2016
Balance at the beginning of the year	-	4 701 750
Income recognition during the year	-	(4 701 750)
	-	-

The above deferred income relate to commission received on the conclusion of the 5 year lease agreement relating to outdoor advertising. The final amortisation occured in March 2016.

Notes to the Financial Statements

Figures in Rand	2017	2016

18. PROVISIONS

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for bonuses	2 248 008	2 500 528	(1 675 140)	(194 700)	2 878 696

Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Total
Provision for bonuses	745 928	2 597 553	(1 095 473)	2 248 008

2015/16: The provision relates to bonuses due to EXCO members for the 2014/15 and 2015/16 financial year.

2016/17: The provision relates to bonuses due to EXCO members for the 2016/17 financial year.

19. SHARE CAPITAL

	2017	2016
Authorised		
1,000 Ordinary shares of R1 each	1 000	1 000
Reconciliation of number of shares issued:		
Reported as at 01 July 2016	1 000	1 000
Issued		
1,000 Ordinary shares of R1 each	1 000	1 000
Share premium	5 141 721	5 141 721
	5 142 721	**5 142 721**

20. REVENUE

	2017	2016
Cellmast services	6 819 291	7 317 470
Commission received	54 428 572	72 434 721
Debtors discounting effect	(19 166 060)	-
Management fees	57 309 808	9 813 368
Internal recoveries	209 068 684	-
Cost of services	(209 068 684)	-
Third party development fees	302 081	12 141 449
City of Johannesburg Metropolitan Municipality - Subsidy	327 568 000	340 630 000
EPWP Grant	2 000 000	1 073 861
	429 261 692	**443 410 869**

	2017	2016
The amount included in revenue arising from exchanges of goods or services are as follows:		
Cellmast services	6 819 291	7 317 470
Rendering of services	54 428 572	72 434 721
Debtors discounting	(19 166 060)	-
Management fees	57 309 808	9 813 368
Internal recoveries	209 068 684	-
Cost of services	(209 068 684)	-
Third party development fees	302 081	12 141 449
	99 693 692	**101 707 008**

Notes to the Financial Statements

Figures in Rand	2017	2016

20. REVENUE (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

	2017	2016
Transfer revenue		
City of Johannesburg Metropolitan Municipality - Subsidy	327 568 000	340 630 000
EPWP Grant	2 000 000	1 073 861
	329 568 000	**341 703 861**

21. OTHER INCOME

	2017	2016
Donations received	-	900 600

22. INVESTMENT REVENUE

	2017	2016
Interest revenue		
Debtors discounting	13 829 499	-
Sweeping Account	950 516	3 011 182
Interest received on land acquisition	104 696	-
South African Revenue Services	556 111	448 984
	15 440 822	**3 460 166**

23. FINANCE COSTS

	2017	2016
Finance leases	557 001	642 744
Sweeping account	5 790 282	2 166 480
Disputed supplier accounts	42 268	49 629
	6 389 551	**2 858 853**

Notes to the Financial Statements

Figures in Rand	2017	2016

24. GENERAL EXPENSES

Advertising	153 915	307 802
Assets expensed	14 431	22 000
Auditors remuneration	3 312 537	2 491 903
Bank charges	39 472	49 133
Board expenses	1 171 892	827 476
Cleaning	10 907 697	11 454 351
Computer expenses	2 578 278	893 362
Consulting and professional fees	14 303 989	6 815 949
Conferences and seminars	398 250	71 060
Computer consumables	278 343	218 464
Electricity and water	21 530 885	18 867 100
Fleet	7 623 175	7 581 425
Gas	223 514	37 818
Insurance	5 144 335	3 340 439
Launches and communications	4 377 621	2 427 537
Lease rentals - GRAP 13 straightlining adjustment	(2 972 688)	2 709 734
Office rentals	98 452 825	88 283 662
Other expenses	-	200
Pest control	218 212	254 941
Placement fees	21 969	383 214
Postage and courier	1 852	1 296
Printing and stationery	2 098 715	1 823 193
Protective clothing	405 997	49 788
Rates and taxes	1 646 355	3 859 498
Refuse	507 679	406 512
Sanitation and sewerage	623 927	629 820
Security	11 929 421	11 288 272
Software expenses	774 476	355 625
Staff welfare	1 282 932	1 159 265
Storage	158 522	197 707
Subscriptions and membership fees	854 164	2 731 345
Telephone and fax	2 051 916	2 215 709
Training	2 381 171	1 465 114
Travel - local	354 320	623 479
Travel - overseas	36 088	983 698
	192 886 187	**174 827 891**

Notes to the Financial Statements

Figures in Rand		2017	2016

25. EMPLOYEE RELATED COSTS

Employee related costs : Salaries and wages		147 734 513	130 650 729
Post-retirement medical aid benefits-Defined benefit plan	11	177 088	(553 771)
SARS, SITE and PAYE		37 963 560	26 536 492
Allowances		906 604	901 439
Overtime payments		4 337 960	2 136 292
Bonus		2 657 510	2 663 693
UIF		1 019 768	1 270 016
SDL		1 957 618	1 868 507
Payroll levies		36 073	122 443
Leave pay accrual charge		5 031 019	7 359 212
Pension costs		29 880 014	32 860 406
13th Cheque		13 425 238	13 525 985
		245 126 965	**219 341 443**

2016: SARS, SITE and PAYE have been restated for 2015/16 as the costs from March 2016 up to and including June 2016 were included in employee related costs - salaries and wages.

Key Personnel

Remuneration of Executive Manager : Client Business Operations

Annual Remuneration	1 577 583	1 499 571
Performance Bonuses	252 000	183 299
Contributions to UIF, Medical and Pension Funds	264 367	318 652
Subsistence Allowance	-	1 059
Leave Pay	-	36 610
	2 093 950	**2 039 191**

Remuneration of Executive Manager : Property Portfolio

Annual Remuneration	1 557 583	1 499 570
Performance Bonuses	192 600	191 678
Contributions to UIF, Medical and Pension Funds	260 099	318 753
Leave Pay	-	38 336
	2 010 282	**2 048 337**

Remuneration of Executive Manager : Strategic Support

Annual Remuneration	1 062 487	998 851
Travel Allowance	96 000	96 000
Performance Bonuses	182 000	-
Contributions to UIF, Medical and Pension Funds	176 190	218 462
13th Cheque	-	50 886
Leave Pay	34 026	-
	1 550 703	**1 364 199**

Remuneration of General Manager : Legal

Annual Remuneration	900 291	-
13th Cheque	75 024	-
Contributions to UIF, Medical and Pension Funds	198 439	-
	1 173 754	**-**

Notes to the Financial Statements

Figures in Rand	2017	2016

25. EMPLOYEE RELATED COSTS (continued)

Remuneration of General Manager : Compliance and Secretarial

	2017	2016
Annual Remuneration	803 635	-
Contributions to UIF, Medical and Pension Funds	67 836	-
	871 471	**-**

Remuneration of Executive Manager : Corporate Services

	2017	2016
Annual Remuneration	981 069	1 245 334
Contributions to UIF, Medical and Pension Funds	146 800	268 285
	1 127 869	**1 513 619**

Remuneration of Executive Manager: Information Technology

	2017	2016
Annual Remuneration	870 070	891 253
Subsistence Allowance	-	1 059
Travel Allowance	120 000	30 000
Performance Bonuses	117 700	-
Contributions to UIF, Medical and Pension Funds	186 933	189 204
	1 294 703	**1 111 516**

Notes to the Financial Statements

Figures in Rand	2017	2016

26. DIRECTORS' EMOLUMENTS

The following emoluments were paid to the executive and non-executive directors during the year.

Executive	Emoluments	Travel Allowance	Company Contributions	Perfomance Bonus	Total
2017					
Ms H M Botes - Chief Executive Officer	1 982 360	250 000	20 655	294 840	2 547 855
Mr I M Bhamjee - Financial Director	1 510 605	96 000	241 388	192 600	2 040 593
	3 492 965	**346 000**	**262 043**	**487 440**	**4 588 448**

Executive	Emoluments	Travel Allowance	Company Contributions	Perfomance Bonus	Back-Pay	Total
2016						
Ms H M Botes - Chief Executive Officer	1 484 534	250 000	29 126	280 000	769 566	2 813 226
Mr I M Bhamjee - Financial Director	1 373 269	96 000	290 681	193 462	-	1 953 412
	2 857 803	**346 000**	**319 807**	**473 462**	**769 566**	**4 766 638**

Non-Executive	Emoluments	Retainer fees	Total
2017			
Mr P Corbin - Chairperson	125 872	-	125 872
Mr A Karam (appointed - 16/03/2017)	61 477	-	61 477
Mr O Kemp (appointed - 16/03/2017)	102 038	-	102 038
Ms N Mpofu (appointed - 16/03/2017)	29 704	-	29 704
Mr O Maseko (appointed - 16/03/2017)	104 913	-	104 913
Mr N Baloyi (appointed - 16/03/2017)	107 956	-	107 956
Ms M Hlobo (appointed - 27/05/2017)	48 000	-	48 000
Mr L Mabuza	142 094	22 816	164 910
Ms M Mojapelo	167 411	22 816	190 227
Mr MM Morojele	113 751	22 816	136 567
Mr A Mabizela (retired - 16/03/2017)	102 666	45 626	148 292
Adv M Mogale (retired - 16/03/2017)	84 422	22 816	107 238
Mr J Rabodila (retired - 16/03/2017)	120 936	22 816	143 752
Mr FD Ntombela (retired - 16/03/2017)	91 273	22 816	114 089
Mr C Kai (retired - 16/03/2017)	126 643	22 816	149 459
Prof AN Nevhutanda (retired - 16/03/2017)	62 750	22 816	85 566
	1 591 906	**228 154**	**1 820 060**

2016	Emoluments	Retainer fees	Total
Mr A Mabizela - Chairperson	171 120	45 626	216 746
Mr T Hickman (retired 15/03/2016)	132 344	22 816	155 160
Prof AN Nevhutanda	118 658	22 816	141 474
Ms P Msweli (retired 15/03/2016)	74 166	22 816	96 982
Mr J Rabodila	133 491	22 816	156 307
Mr FD Ntombela	158 600	22 816	181 416
Mr MM Morojele	95 836	22 816	118 652
Mr C Kai	173 441	22 816	196 257
Dr N Mabuya (resigned 05/01/2016)	65 034	22 816	87 850
Mr L Mabuza (appointed 15/03/2016)	50 198	-	50 198
Adv M Mogale (appointed 15/03/2016)	66 172	-	66 172
Ms M Mojapelo (appointed 15/03/2016)	30 802	-	30 802
	1 269 862	**228 154**	**1 498 016**

Notes to the Financial Statements

Figures in Rand	2017	2016

27. TAXATION

Major components of the tax expense (income)

	2017	2016
Deferred		
Originating and reversing temporary differences	24 970 492	2 895 588

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

	2017	2016
Accounting (deficit) surplus	(33 155 082)	8 466 572
Tax at the applicable tax rate of 28% (2016: 28%)	(9 283 423)	2 370 640
Tax effect of adjustments on taxable income		
Non taxable/non-deductible expenses	34 253 915	524 948
	24 970 492	**2 895 588**

28. AUDITORS' REMUNERATION

	2017	2016
Fees	3 312 537	2 491 903
Reconcilliation of audit fees		
Audit Fees - External	1 231 162	1 301 125
Audit Fees - Internal	2 081 375	1 190 778
	3 312 537	**2 491 903**

29. CASH GENERATED FROM OPERATIONS

	2017	2016
(Deficit) surplus	(58 125 574)	5 570 984
Adjustments for:		
Depreciation and amortisation	6 536 094	4 674 292
Loss on sale of assets and liabilities	455 044	219 617
Finance costs - Finance leases	557 001	642 744
Debt impairment	-	2 423 893
Movements in operating lease assets and accruals	(2 972 688)	2 709 734
Movements in retirement benefit assets and liabilities	177 088	(553 771)
Movements in provisions	630 688	1 502 080
Annual charge for deferred tax	24 970 492	2 895 588
Non-cash flow Interest received - debtors discounting	(13 829 499)	-
Scrapped finance lease asset	-	(152 644)
Movement in discounting of receivables	19 166 060	-
Changes in working capital:		
Receivables from exchange transactions	(541 748 157)	173 033 060
Consumer debtors	-	(2 423 893)
Other receivables from non-exchange transactions	10 259	2 546 884
Prepayments	205 949	(29 948)
Payables from exchange transactions	267 298 541	48 020 588
Deferred income	-	(4 701 750)
	(296 668 702)	**236 377 458**

Notes to the Financial Statements

Figures in Rand	2017	2016

30. COMMITMENTS

Commitments in respect of capital expenditure:

	2017	2016
Authorised		
• Property, plant and equipment	1 700 000	4 000 000
Total capital commitments		
Not yet contracted for and authorised by directors	1 700 000	4 000 000

Authorised operational expenditure

	2017	2016
Already contracted for but not provided for		
Audit fees	-	627 923
Cleaning	29 704 507	-
Consulting fees	76 825	19 567 505
Fleet	2 332 260	4 784 377
Licenses	-	396 096
Repairs and maintenance	1 530 486	3 866 999
Staff wellness	25 468	107 294
Temporary staff	-	511 077
	33 669 546	**29 861 271**

	2017	2016
Total operational commitments		
Already contracted for	33 669 546	29 861 271

Total commitments

	2017	2016
Total commitments		
Authorised capital expenditure	1 700 000	4 000 000
Authorised operational expenditure	33 669 546	29 861 271
	35 369 546	**33 861 271**

This committed capital expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc. The entity has been allocated a capital expenditure budget of R1 700 000 for the 2017/18 financial year (2016: R4 000 000).

Operating leases – as lessee (Buildings)

	2017	2016
Minimum lease payments due		
- Not later than one year	81 946 911	63 939 108
- Later than one year and not later than five years	65 521 474	114 609 316
- Later than five years	-	1 525 307
	147 468 385	**180 073 731**

Operating lease payments represent rentals payable by the entity for the JPC head office and office accommodation for 10 buildings for various City departments. Leases are negotiated for a term of 2 to 5 years for City department occupied buildings and 9 years and 11 months for the JPC head office, all leases are subject to yearly escalations. No contingent rent is payable.

Notes to the Financial Statements

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31. RELATED PARTIES

Relationships	
The company adheres to Section 45 of The Municipal Supply Chain Management Regulation:	
Contracts are entered into in terms of Services Delivery Agreements	
As all related parties are current no provision has been made in respect of bad debts.	
Controlling entity	The City of Johannesburg Metropolitan Municipality
Fellow subsidiaries	City Power Johannesburg (SOC) Ltd Johannesburg City Parks (NPC) Johannesburg Development Agency (SOC) Ltd Johannesburg Social Housing Company (SOC) Ltd Johannesburg Roads Agency (SOC) Ltd Johannesburg Fresh Produce Market (SOC) Ltd Johannesburg Water (SOC) Ltd Johannesburg Theatre (SOC) Ltd Pikitup (SOC) Ltd

Related party balances

	2017	2016
Loan Accounts - Owing from related parties		
City of Johannesburg Metropolitan Municipality	-	77 880 864
Loan accounts - Owing to related parties		
City of Johannesburg Metropolitan Municipality	(302 091 805)	(73 672 114)
Interest paid to related parties		
City of Johannesburg Metropolitan Municipality	5 790 282	2 166 480
Services rendered to related parties		
The City of Johannesburg Metropolitan Municipality - Commission received	30 676 757	44 764 978
The City of Johannesburg Metropolitan Municipality - Capital commission received	23 638 051	27 386 973
The City of Johannesburg Metropolitan Municipality - Management fees	57 309 808	7 625 975
The City of Johannesburg Metropolitan Municipality - Internal recoveries	209 068 684	2 187 393
The City of Johannesburg Metropolitan Municipality - Cost of services	(209 068 684)	-
The City of Johannesburg Metropolitan Municipality - Subsidies received	327 568 000	340 630 000
City Power	-	146 016
Johannesburg Fresh Produce Market	102 147	-
Johannesburg Roads Agency	94 500	-
Joburg Water	70 015	45 633
Metrobus	308 675	-
Pikitup	-	34 452
	439 767 953	**422 821 420**

Figures in Rand	2017	2016

31. RELATED PARTIES (continued)

	2017	2016
Balance included in trade receivables		
City of Johannesburg Legal Services	53 381	-
City of Johannesburg Ombudsman	4 764 139	1 044 622
City of Johannesburg Portfolio	31 981 933	-
City Power	3 902 169	110 070
Department of Citizen Relations and Urban Management	3 788 173	12 205 644
Department of Community Development	81 665 705	5 372
Department of Development Planning	22 627 148	750 000
Department of Economic Development	18 950 921	1 224 201
Department of Health	50 954 546	7 959
Department of Housing	45 683 137	3 715 394
Department of Public Safety	9 903 960	-
Department of Social Development	6 053 942	13 070 775
Department of Transport	75 699 929	560 666
Department of Transport - BRT	2 392 437	421 315
Emergency and Medical Services	41 791 239	4 982 114
Environment and Infrastructure Services Department	3 779 000	-
Group Corporate Shared Services	3 835 548	580 407
Group Finance and Revenue	24 857 626	5 819 462
Johannesburg Metropolitan Police Department	70 281 347	16 726 921
Johannesburg Roads Agency	592 515	-
Johannesburg Tourism	-	2 957
Johannesburg Water	30 034	5 685
Metrobus	3 870 782	-
Museum Africa	7 506	7 506
Office of the Executive Mayor: City Manager	7 280 051	-
Office of the Executive Mayor: Executive Mayor	1 278 196	-
Office of the Executive Mayor: Group Governance	1 619 683	-
Office of the Executive Mayor: Communications	1 110 358	-
Office of the Speaker	85 567 628	872 991
Pikitup	481 306	39 275
	604 804 339	**62 153 336**

	2017	2016
Balance included in trade payables		
Johannesburg Fresh Produce Market	160 547	-
Office of the Mayor	3 809 378	-
	3 969 925	**-**

	2017	2016
Interest received from related parties		
City of Johannesburg Metropolitan Municipality	949 898	3 004 637

	2017	2016
Services received from related parties		
City of Johannesburg Civic Theatre	296	260
Department of Development Planning	40 320	-
Group Corporate Shared Services	1 844 355	1 575 352
Metrobus	7 000	-
Office of the Mayor	3 341 560	2 159 312
	5 233 531	**3 734 924**

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31. RELATED PARTIES (continued)

Remuneration of management

Executive management

2017

	Basic Salary	Bonuses and 13th cheques	Travel Allowance	Company contribution	Other payments received	Total
Ms HM Botes	1 982 360	294 840	250 000	20 655	-	2 547 855
Mr IM Bhamjee	1 510 605	192 600	96 000	241 388	-	2 040 593
Mr F Sardianos	1 577 583	252 000	-	264 367	-	2 093 950
Mr SZ Mntungwa	1 577 583	192 600	-	260 099	-	2 030 282
Mr CL Matthews	803 635	-	-	67 836	-	871 471
Mr MM Makhunga	1 062 487	182 000	96 000	176 190	34 026	1 550 703
Mr TF Mokataka	900 291	75 024	-	198 439	-	1 173 754
Ms K Padayachee	870 070	117 700	120 000	186 933	-	1 294 703
Mr M Tisani	981 069	-	-	146 800	-	1 127 869
	11 265 683	**1 306 764**	**562 000**	**1 562 707**	**34 026**	**14 731 180**

2016

	Basic Salary	Bonuses and 13th cheques	Travel Allowance	Company Contribution	Other payments received	Total
Ms HM Botes	1 484 534	280 000	250 000	29 126	769 566	2 813 226
Mr IM Bhamjee	1 373 269	193 462	96 000	290 681	-	1 953 412
Mr F Sardianos	1 499 571	183 299	-	318 652	37 669	2 039 191
Mr SZ Mntungwa	1 499 570	191 678	-	318 753	38 336	2 048 337
Mr MM Makhunga	998 851	50 886	96 000	218 462	-	1 364 199
Mr M Tisani	1 245 334	-	-	268 285	-	1 513 619
	8 101 129	**899 325**	**442 000**	**1 443 959**	**845 571**	**11 731 984**

32. RISK MANAGEMENT

Financial risk management

Liquidity risk

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.The companies cash is swept on a daily basis to The City of Johannesburg Metropolitan Municipality (COJ) main account. The City releases money for use by The City of Joburg Property Company (SOC) Ltd as and when it is needed. Any over expenditure in which current cash swept cannot cover is covered by the COJ.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

At 30 June 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	3 811 911	3 181 419	-	-
Trade and other payables	356 517 840	-	-	-

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Finance lease obligations	3 036 553	1 407 334	-	-
Trade and other payables	89 219 299	-	-	-

Interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus/(deficit). Fixed rate borrowings expose the company to fair value interest rate risk.

The company has not performed a sensitivity analysis as the company is exposed to fixed rate borrowings only.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade debtors are comprised of development fees on contracts awarded to a developer who has been awarded the tender and related party debtors generated from the internal recoveries of office accommodation for FMMU. The company manages development fee risk by inserting suspensive conditions in the signed contracts. If the developer cannot pay in the specified time, payment terms are arranged and failing which the contract will be cancelled and awarded to another developer.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument		
Financial assets measured at fair value:		
-Trade and other receivables	602 932 186	66 520 590
-Cash and cash equivalents	2 000	2 000
	602 934 186	66 522 590

Notes to the Financial Statements

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32. RISK MANAGEMENT (continued)

Debtors Age Analysis	30 Days	60 to 90 Days	90 to 120 Days	120 to 180 Days	180+ Days	Total
Trade and other trade receivables	388 730 015	75 606 134	11 238 170	41 951 659	90 742 769	608 268 747
Discounting effect	(3 435 113)	(665 303)	(466 039)	(208 808)	(561 298)	(5 336 561)
	385 294 902	**74 940 831**	**10 772 131**	**41 742 851**	**90 181 471**	**602 932 186**

33. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The existence of the company is dependent on the continued support of its sole shareholder being the City of Johannesburg Metropolitan Municipality by way of management fees paid each year in terms of a service delivery agreement entered into. Development fees received from external parties further support the going concern of the company. To support the continuous collection of management fees, JPC has a 30 year agreement with the Shareholder, of which 14 years are remaining. The deficit of the company before taxation was R 33 155 082 (2016: surplus R 8 466 572), after taxation it was a deficit of R (58 125 574) (2016: surplus R 5 570 984). In lieu of the current financial position, the City of Johannesburg Metropolitan Municipality has issued a subordination agreement for the debt and loans of the entity.

34. FRAUD LOSSES

Fraud losses	1 158 354	-
Fraud losses recovered	(601 185)	-
	557 169	-

Invoices and bank confirmation documents related to a service provider were fraudulently altered resulting in a loss of R1 158 354. By request of management, Standard Bank froze the funds and recovered R601 185. The remaining R557 169 is being investigated by the South African Police Service and the COJ Group Risk and Audit Services. An insurance claim has also been submitted for the fraud losses and is pending futher investigation.

35. FRUITLESS AND WASTEFUL EXPENDITURE

Opening balance	2 379 855	2 330 226
Written off	(2 379 855)	-
Penalties and interest	42 268	49 629
	42 268	**2 379 855**

2017: During the financial year, the Board of Directors of JPC wrote off the historical fruitless and wasteful expenditure of R2 379 855.
Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts in the 2016/17 financial year amounting to R42 268.

2016: Disputes with creditors over contracts and invoices resulted in interest being levied on overdue accounts in the 2014/15 financial year amounting to R49 629

Notes to the Financial Statements

36. IRREGULAR EXPENDITURE

Opening balance	-	3 513 933
Written off	-	(3 513 933)
	-	-

2017: JPC incurred no irregular expenditure during the 2016/17 financial year.

2016: During the 2015/16 financial year, the board of JPC resolved that the irregular expenditure from previous financial years be written off.

37. RECONCILIATION BETWEEN BUDGET AND STATEMENT OF FINANCIAL PERFORMANCE

Reconciliation of budget surplus with the surplus in the statement of financial performance:

Net deficit per the statement of financial performance	(58 125 574)	5 570 983
Adjusted for:		
Revenue	52 732 000	14 805 336
Operating expenses	(19 576 918)	(23 271 907)
Taxation	24 970 492	2 895 588
Net surplus per approved budget	-	-

Notes to the Financial Statements

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38. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the directors and includes a note to the financial statements.

Rental of premises and cleaning services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the directors.

Additional deviations that have transpired during the 2016/17 financial year have been listed below. The deviations listed below are a continuation of those listed in the 2015/16 financial year. The deviations are are as follows:

Extensions - Contracted Cleaning		
Khulani Makhosikazi Khulani	-	780 000
Green Sweep	-	432 000
	-	**1 212 000**
Extensions - Operating Lease Rentals		
Sanlam/JHI	8 278 860	9 340 469
Redefine Properties	33 123 991	34 628 992
Investec Ltd	7 925 325	5 981 722
Germiston Bronze	5 029 893	6 498 123
CEZ Investments	2 836 423	3 508 965
6 Plein Street CC	7 824 480	8 695 886
Liberty Group Property Management	-	11 422 548
Zenprop	-	14 351 278
Orion Property	5 718 574	7 400 597
Hermans and Romans	9 499 366	10 042 797
Mutodo	21 725 733	-
Abzubix	14 086 807	-
Blend Property	809 251	-
Accelerate	177 515	-
City Property	656 228	-
Lakeside	48 474	-
Lodestone	25 534	-
Malvern Plaza	88 721	-
Eurefin	1 133 763	-
	118 988 938	**111 871 377**
Extenstions - Other Expenditure		
Document Warehouse	191 549	242 127
Nicor Propsys	843 745	694 484
Softline VIP	-	573 752
Telkom	1 221 589	1 646 137
Infra-Sol	-	4 783 951
Schindler Lifts	-	2 307 409
Vodacom	-	738 146
Abzubros	-	383 494
	2 256 883	**11 369 500**
Extenstions - Security		
Mabotwane Security	-	4 721 795

Notes to the Financial Statements

38. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

Mafoko Security Patrols	-	1 431 114
Marshall Knights	-	572 844
MC Security	-	2 156 597
Peak Security	-	132 347
Sihlangane Security	-	2 077 338
SOS Protecsure	-	1 508 230
Venus Security Solutions	-	2 695
Vimtsire Security Protection	-	1 699 762
	-	**14 302 722**

39. SPONSORED SKILLS DEVELOPMENT

During the 2016/17 financial year the trust account earned interest of R144 573.
The pledge is held in trust by Cliff Dekker Hofmeyer Attorneys on the pledgees' behalf.

As at 30 June 2017, R1 501 371 of this fund has been utilised to identify the best international practices and standards for property and facilities management.

Sponsored skills development		
Opening Balance	1 314 683	482 728
Additions	144 573	2 208 974
Utilized	(130 352)	(1 377 019)
	1 328 904	**1 314 683**

Detailed Income statement

Figures in Rand	Note(s)	2017	2016
Revenue			
Cellmast services	20	6 819 291	7 317 470
Commission received	20	54 428 572	72 434 721
Trade debtors discounting	20	(19 166 060)	-
Management fees	20	57 309 808	9 813 368
Internal recoveries	20	209 068 684	-
Cost of services	20	(209 068 684)	-
Third party development fees	20	302 081	12 141 449
Other income	21	-	900 600
Interest received	22	15 440 822	3 460 166
City of Johannesburg Metropolitan Municipality - Subsidy	20	327 568 000	340 630 000
EPWP grant	20	2 000 000	1 073 861
Total revenue		**444 702 514**	**447 771 635**
Expenditure			
Employee related costs	25	(245 126 965)	(219 341 443)
Depreciation and amortisation	12&13	(6 536 094)	(4 674 292)
Finance costs	23	(6 389 551)	(2 858 853)
Debt Impairment	7	-	(2 423 893)
Repairs and maintenance		(26 463 755)	(34 959 074)
General expenses	24	(192 886 187)	(174 827 891)
Total expenditure		**(477 402 552)**	**(439 085 446)**
Operating (deficit) surplus		**(32 700 038)**	**8 686 189**
Loss on derecognition of assets	12	(455 044)	(219 617)
(Deficit) surplus before taxation		**(33 155 082)**	**8 466 572**
Taxation	27	24 970 492	2 895 588
(Deficit) surplus for the year		**(58 125 574)**	**5 570 984**

The supplementary information presented does not form part of the financial statements and is unaudited

APPENDIX E(1)

	Current Year Actual Balance (000's)	Current Year Revised Budget (000's)	Variance (000's)	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Cellmast services	6 819	10 658	(3 839)	(36.0)	
Commissions received	54 429	86 503	(32 074)	(37.1)	Commissions trail budgeted objectives due to leases currenlty under review at EAC.
EPWP grant	2 000	2 000	-	-	
Internal recoveries	209 069	-	209 069	-	
Cost of services rendered	(209 069)	-	(209 069)	-	
Interest received	15 441	2 687	12 754	474.7	Interest received includes R14.1 million from the discounting of debtors
Management fees	57 310	60 519	(3 209)	(5.3)	
Sales of housing	-	-	-	-	
Subsidy	327 568	327 568	-	-	
Third party facilitation fees	302	7 500	(7 198)	(96.0)	
Debtors discounting	(19 166)	-	(19 166)	-	
	444 703	497 435	(52 732)	(10.6)	
Expenses					
Personnel	(245 126)	(245 324)	198	(0.1)	
Depreciation	(6 536)	(6 646)	110	(1.7)	Depreciation is in line with the fixed asset register.
General expenditure	(94 433)	(101 213)	6 780	(6.7)	Expenditure has been kept below the budget due to cost cutting measures during the financial year.
Finance costs	(6 390)	(2 430)	(3 960)	163.0	Expenditure exceeds budget due to interest incurred on the overdraft
Lease rentals	(98 453)	(99 434)	981	(1.0)	
Repairs and maintenance	(26 464)	(42 388)	15 924	(37.6)	
	(477 402)	(497 435)	20 033	(4.0)	
Operating profit					
	(32 699)	-	(32 699)	-	
Other revenue and costs					
Gain or loss on disposal of fixed assets	(455)	-	(455)	-	
Net surplus/ (deficit) for the year	(33 154)	-	(33 154)	-	
Taxation					
Deferred tax	(24 971)	-	(24 971)	-	
Profit/(Loss) for the year	(58 125)	-	(58 125)	-	